

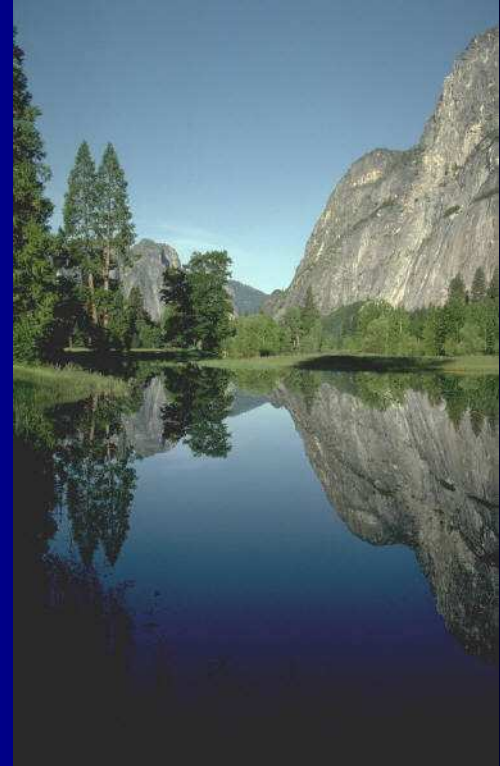
Proposed AB118 Air Quality Guidelines

Air Resources Board Meeting
Diamond Bar, California
September 25, 2008



Overview

- Introduction to AB118
- Summary of proposed AB118 Air Quality Guidelines
- Staff recommendation





Introduction to AB118

- AB118 signed into law in 2007
- Creates three new incentive programs
 - ~\$200M annually through 2015
 - Implemented by CEC, ARB, and BAR
- Complements existing incentive programs



AB118 Programs

- Alternative and Renewable Fuels and Vehicle Technology Program
 - \$120M/year CEC program for clean fuels and vehicle technology to address climate change
- Air Quality Improvement Program (AQIP)
 - \$50M/year ARB program for clean vehicles and off-road equipment
- Enhanced Fleet Modernization Program
 - \$30M/year BAR program to expand car scrap
 - ARB to adopt program guidelines



AB118 Air Quality Guidelines

- Statutory Requirements -

- ARB must adopt air quality guidelines for both AQIP and CEC program
- Ensure programs maintain air quality progress
 - Complement efforts to meet air quality standards and reduce air toxics
 - Maintain or improve on benefits in the SIP and California's clean fuels regulations



AB118 Program Development

- Five separate guidelines under development

Guideline	Adopting Agency	Board/Commission Consideration
Air Quality Guidelines	ARB	Today
CEC Investment Plan	CEC	Dec 2008
CEC Program Regulations	CEC	Jan 2009
AQIP Guidelines and FY2009/10 Funding Plan	ARB	Spring 2009
AB118 Scrap Program Guidelines for BAR	ARB	Spring 2009



How the Pieces Fit Together

- Statute
- Regulations
 - Air Quality Guidelines
 - AQIP Guidelines
- Annual funding plans
- Annual project solicitations



Summary of Staff Proposal



Air Quality Guidelines

- Overview -

- Requirements for funding agencies in evaluating projects
- Each project's emissions compared to conventional fuel/vehicle baseline
 - Criteria pollutants, toxics, and greenhouse gases
 - Project must maintain or reduce emissions
- Full fuel cycle analysis
 - Analytical tools from Low Carbon Fuel Standard (LCFS)
 - Indirect land use analysis



Air Quality Guidelines

- AB118 Project Types -

- Projects requiring air quality analysis
 - Vehicle and equipment projects
 - Fuel and infrastructure projects
 - Research projects involving construction or intent to sell
- Projects exempt from air quality analysis
 - Workplace training
 - Research projects, excluding above
 - Demonstration projects



Air Quality Guidelines

- Vehicle & Equipment Projects -

- Step 1: Compare vehicle emissions
 - Project emissions must be less than or equal to baseline vehicle/equipment
- Step 2: Compare fuel-vehicle pathways
 - Required if baseline and new vehicle use different fuels
 - Full fuel cycle analysis, using LCFS methodology
- Flexibility for emerging technologies



Air Quality Guidelines

- Fuel & Infrastructure Projects -

- Step 1: Compare proposed fuel to baseline
 - Fuel pathway emissions cannot exceed reference fuel
 - Full fuel cycle analysis, using LCFS methodology
- Step 2: Proposed fuel must meet applicable fuel specifications



Air Quality Guidelines

- Fuel & Infrastructure Projects -

- Step 3: Projects must comply with all applicable environmental review requirements
 - Must implement all recommended air pollution mitigation strategies
 - Projects must be selected at public meeting



Air Quality Guidelines

- Local Health Impacts Evaluation -

- For projects triggering permitting, licensing, or environmental review, funding agencies must:
 - Include criteria for environmental justice in project selection process
 - Annually evaluate aggregate impacts of projects
- Necessary and beyond statutory requirements



Air Quality Guidelines

- Flexibility -

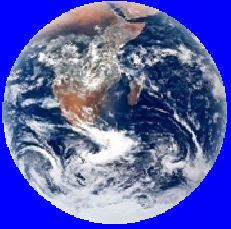
- Small pollutant trade-offs in potential projects may be considered
 - Small increases in criteria pollutants or toxics allowed if other projects in air basin achieve greater reductions
 - No GHG increases allowed
- Projects with trade-offs must be publicly vetted
- Intended to encourage innovative or technology-advancing projects



Air Quality Guidelines

- Interim Provisions -

- LCFS not adopted yet, interim analytical tools proposed
 - Full fuel cycle analysis from Board approved 2007 State Alternative Fuels Plan
 - Consider new information in evaluating projects
- LCFS rulemaking will amend this regulation
 - Incorporate relevant LCFS provisions
 - Delete interim provisions



15 Day Changes

- Public review period increased from 10 to 30 days, for:
 - Annual evaluation of aggregate impacts
 - Evaluation of pollutant tradeoffs, if utilized
- CEC evaluation of trade-offs in consultation with ARB



Staff Recommendation

- Adopt proposed AB 118 Air Quality Guidelines, with proposed modifications
- Incorporate LCFS provisions into AB118 Air Quality Guidelines when LCFS regulation adopted